

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /129 W
-----123952 280920Z /21

R 280541Z AUG 78

FM AMCONSUL DHAHRAN

TO SECSTATE WASHDC 6455

INFO AMEMBASSY JIDDA

USLO RIYADH

C O N F I D E N T I A L DHAHRAN 1062

E.O. 11652: N/A

TAGS: ENRG, SA

SUBJECT: GAS GATHERING PROJECT

1. JOE STORY, ACTING ADMINISTRATOR, POLICY AND PLANNING STAFF AT ARAMCO, TOLD CONSOFF THAT ARAMCO HAS BEEN REVISING DOWNWARD THE SCOPE OF GAS GATHERING PROJECT. STORY SAID THAT SOME ELEMENTS OF PROJECT, SUCH AS FRACTIONATION PLANT AT YANBU, WILL BE DELAYED FOR SEVERAL YEARS.

2. PURPOSE OF THE DOWNWARD REVISION WAS TO BRING COST OF PROJECT DOWN TO ABOUT 8 BILLION DOLLARS, ACCORDING TO STORY, WHICH WAS FIGURE THAT SPECIAL COMMITTEE OF COUNCIL OF MINISTERS CURRENTLY STUDYING PROJECT COULD ACCEPT. STORY BELIEVED THAT THIS ACTION WAS SETBACK FOR PETROLEUM MINISTER YAMANI AND PARTIAL VICTORY FOR FINANCE MINISTER ABAL KHAIL.

3. STORY CLAIMED THAT EIGHT BILLION DOLLAR PRICE TAG FOR PROJECT WOULD BE EXPRESSED CONSTANT (1978) DOLLARS IN ORDER GET CONTRACTORS REMOVE INFLATION "CUSHIONS" FROM THEIR BIDS. HE MAINTAINED THAT SAG WAS CONVINCED THAT CONTRACTORS WERE "PADDING THEIR BIDS" BY OVERESTIMATING INFLATION RATE.

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4. COMMENT: IN LONG-RUN, GAS GATHERING PROJECT MAY COST 12 TO 14 BILLION DOLLARS, WHICH HAVE BEEN FIGURES MOST OFTEN CITED FOR THIS MAMMOTH UNDERTAKING OF "SHUTTING OFF FLARES" IN EASTERN PROVINCE. HOWEVER, SAG APPARENTLY WANTED FOR NOW SOME LOWER FIGURE TO SHOW THAT IT WAS SERIOUS ABOUT KEEPING COST UNDER CONTROL AND INFLATION IN CHECK. ALSO, A DECISION ON

DELAYING CERTAIN ELEMENTS OF PROJECT WOULD BE IN KEEPING WITH
RECENT SAG DECISION TO CUT BACK EXPENDITURES OF MOST MINISTRIES.
BUSHNELL

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Message Attributes

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Draft Date: 28 aug 1978
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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Disposition History: n/a
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Disposition Remarks:
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TAGS: ENRG, SA
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